



House of Representatives

General Assembly

File No. 571

February Session, 2022

House Bill No. 5405

House of Representatives, April 21, 2022

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE INVESTMENT ADVISORY COUNCIL AND RELATED STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-13a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Treasurer, with the advice and consent of the Investment
4 Advisory Council, shall appoint a chief investment officer and may
5 appoint a deputy chief investment officer, [and] principal investment
6 officers, investment officers and other personnel to assist the chief
7 investment officer, for the Connecticut retirement pension and trust
8 funds, who shall serve at the pleasure of the Treasurer and whose
9 compensation shall be determined by the Treasurer within salary ranges
10 established by the Treasurer in consultation with the Investment
11 Advisory Council. The provisions of section 4-40 shall not apply to the
12 compensation of [said] such officers and personnel. The chief
13 investment officer shall be sworn to the faithful discharge of duties

14 under law and shall, under the direction of the Treasurer and subject to
15 the provisions of sections 3-13 to 3-13d, inclusive, and 3-31b, as
16 amended by this act, advise the Treasurer on investing the trust funds
17 of the state. [Said] The chief investment officer shall also perform such
18 other duties as the Treasurer may direct. [In addition to said officers, the
19 Treasurer may appoint investment officers and other personnel to assist
20 said chief investment officer, which officers and other personnel shall
21 serve at the pleasure of the Treasurer.]

22 (b) The Treasurer may retain professional investment counsel to
23 evaluate and recommend to the Treasurer changes in the portfolio of the
24 state's trust and other funds. [Said] Such counsel shall inform the
25 Treasurer of suitable investment opportunities and shall investigate the
26 investment merit of any security or group of securities.

27 (c) The cost of operating the investment department including the
28 cost of personnel and professional investment counsel retained under
29 sections 3-13 to 3-13d, inclusive, and 3-31b, as amended by this act, shall
30 be paid by the Treasurer charging the income derived from the trust
31 funds.

32 Sec. 2. Section 3-13b of the general statutes is repealed and the
33 following is substituted in lieu thereof (*Effective from passage*):

34 (a) (1) There is created an Investment Advisory Council [which] that
35 shall consist of the following:

36 [(1)] (A) The Secretary of the Office of Policy and Management who
37 shall serve as an ex-officio member of said council; [(2) the State]

38 (B) The Treasurer who shall serve as an ex-officio member of said
39 council; [(3) five]

40 (C) (i) Five public members all of whom shall be experienced in
41 matters relating to investments. The Governor, the president pro
42 tempore of the Senate, the Senate minority leader, the speaker of the
43 House of Representatives and the minority leader of the House of
44 Representatives shall each appoint one such public member to serve for

45 a term of four years. [No such public member or such member's business
46 organization or affiliate shall directly or indirectly contract with or
47 provide any services for the investment of trust funds of the state of
48 Connecticut during the time of such member's service on said council
49 and for one year thereafter. The term of each public member in office on
50 June 30, 1983, shall end on July 1, 1983.] The appointing authority shall
51 fill all vacancies of the public members. [; (4) three]

52 (ii) Such public members shall recuse themselves from discussions or
53 votes related to any direct or indirect contract with such public member
54 or such member's business organization or affiliate for the provision of
55 any services for the investment of trust funds of the state;

56 (D) Three representatives of the teachers' unions, and two
57 representatives of the state employees' unions. On or before July 15,
58 1983, the teachers' unions shall jointly submit to the [State] Treasurer a
59 list of three nominees, and the state employees' unions or a majority
60 thereof who represent a majority of state employees shall jointly submit
61 to the Treasurer a list of two nominees. On or before July 30, 1983, the
62 Governor shall appoint five members of the council from such lists, for
63 terms of two years. Any person appointed to fill a vacancy or to be a
64 new member at the expiration of a given term, whose predecessor in
65 that position was either a representative of one of the teachers' unions
66 or one of the state employees' unions, shall also be a representative of
67 such respective union group. Any such appointee shall be appointed by
68 the Governor from a list of nominees submitted to the Treasurer by the
69 teachers' unions or state employees' unions or such majority thereof, as
70 the case may be, within thirty days of notification by the Treasurer of
71 the existence of a vacancy or a prospective vacancy, or the expiration or
72 prospective expiration of a term.

73 (2) All members of the council shall serve until their respective
74 successors are appointed and have qualified. No public member of the
75 council shall serve more than two consecutive terms. [which commence
76 on or after July 1, 1983.]

77 (b) The Governor shall designate one of the members to be

78 chairperson of the council to serve as such at the Governor's pleasure.
79 The Treasurer shall serve as secretary of said council. A majority of the
80 members of the council then in office shall constitute a quorum for the
81 transaction of any business, and action shall be by the vote of a majority
82 of the members present at a meeting. Votes by members on investment
83 policies shall be recorded in the minutes of each meeting. Members of
84 said council shall not be compensated for their services but shall be
85 reimbursed for all necessary expenses incurred in the performance of
86 their duties as members of said council. The council shall meet at least
87 once during each calendar quarter and at such other times as the
88 chairperson deems necessary or upon the request of a majority of the
89 members in office. Special meetings shall be held at the request of such
90 majority after notice in accordance with the provisions of section 1-225.
91 Any member who fails to attend three consecutive meetings or who fails
92 to attend fifty per cent of all meetings held during any calendar year
93 shall be deemed to have resigned from office.

94 (c) (1) The Treasurer shall recommend to the Investment Advisory
95 Council an investment policy statement [which] that shall set forth the
96 standards governing investment of trust funds by the Treasurer. Such
97 statement shall include, with respect to each trust fund, without
98 limitation, (A) investment objectives; (B) asset allocation policy and risk
99 tolerance; (C) asset class definitions, including specific types of
100 permissible investments within each asset class and any specific
101 limitations or other considerations governing the investment of any
102 funds; (D) investment manager guidelines; (E) investment performance
103 evaluation guidelines; (F) guidelines for the selection and termination
104 of providers of investment-related services who shall include, but not
105 be limited to, investment advisors, external money managers,
106 investment consultants, custodians, broker-dealers, legal counsel, and
107 similar investment industry professionals; and (G) proxy voting
108 guidelines. A draft of the statement shall be submitted to the Investment
109 Advisory Council at a meeting of said council and shall be made
110 available to the public. Notice of such availability shall be published in
111 at least one newspaper having a general circulation in each municipality
112 in the state which publication shall be not less than two weeks prior to

113 such meeting. Said council shall review the draft statement and shall
114 publish any recommendations it may have for changes to such
115 statement in the manner provided for publication of the statement by
116 the Treasurer. The Treasurer shall thereafter adopt the statement,
117 including any such changes the Treasurer deems appropriate, with the
118 approval of a majority of the members appointed to said council. If a
119 majority of the members appointed to said council fail to approve such
120 statement, [said] such majority shall provide the reasons for its failure
121 to approve to the Treasurer who may submit an amended proposed
122 statement at a subsequent regular or special meeting of said council.
123 Such revised proposed statement shall be made available to the public
124 in accordance with the provisions of the Freedom of Information Act, as
125 defined in section 1-200. Any revisions or additions to the investment
126 policy statement shall be made in accordance with the procedures set
127 forth in this subdivision for the adoption of the statement. The Treasurer
128 shall annually review the investment policy statement and shall consult
129 with the Investment Advisory Council regarding possible revisions to
130 such statement.

131 (2) All trust fund investments by the [State] Treasurer shall be
132 reviewed by [said] the Investment Advisory Council. The Treasurer
133 shall provide to the council all information regarding such investments
134 which the Treasurer deems relevant to the council's review and such
135 other information as may be requested by the council. The Treasurer
136 shall provide a report at each regularly scheduled meeting of the
137 Investment Advisory Council as to the status of the trust funds and any
138 significant changes [which] that may have occurred or [which] that may
139 be pending with regard to the funds. The council shall promptly notify
140 the Auditors of Public Accounts and the Comptroller of any
141 unauthorized, illegal, irregular or unsafe handling or expenditure of
142 trust funds or breakdowns in the safekeeping of trust funds or
143 contemplated action to do the same within [their] the council's
144 knowledge. The Governor may direct the Treasurer to change any
145 investments made by the Treasurer when in the judgment of said
146 council such action is for the best interest of the state. Said council shall,
147 at the close of the fiscal year, make a complete examination of the

148 security investments of the state and determine, as of June thirtieth, the
149 value of such investments in the custody of the Treasurer and report
150 thereon to the Governor, the General Assembly and beneficiaries of trust
151 funds administered, held or invested by the Treasurer. With the
152 approval of the Treasurer and the council, [said] such report may be
153 included in the Treasurer's annual report.

154 (d) The Investment Advisory Council shall be within the office of the
155 [State] Treasurer for administrative purposes only.

156 (e) For the purposes of this section, "teachers' union" means a
157 representative organization for certified professional employees, as
158 defined in section 10-153b, and "state employees' union" means an
159 organization certified to represent state employees, pursuant to section
160 5-275.

161 Sec. 3. Section 3-13i of the general statutes is repealed and the
162 following is substituted in lieu thereof (*Effective from passage*):

163 (a) On and after January 1, 2001, or on and after the first adoption of
164 an investment policy statement under section 3-13b, as amended by this
165 act, whichever is later, any contract for services related to the investment
166 of trust funds, as defined in section 3-13c, shall be subject to the
167 investment policy statement adopted under section 3-13b, as amended
168 by this act. [No contract for services related to the investment of such
169 funds shall be awarded to a provider of such services until the
170 Treasurer's recommendation of a provider is reviewed by the
171 Investment Advisory Council. The] If any contract for services related
172 to the investment of trust funds deviates from such investment policy
173 statement, the Treasurer shall provide notice of [such] the Treasurer's
174 recommendation concerning the selection of such provider at a meeting
175 of the council. Not later than forty-five days after such meeting, the
176 council may file a written review of the Treasurer's recommendation
177 [concerning the selection of such provider] with the Office of the
178 Treasurer where it shall be available for public inspection. The Treasurer
179 may proceed to award the contract after such forty-five-day period.

180 (b) Commencing with the calendar quarter ending September 30,
 181 2022, and each calendar quarter thereafter, the Treasurer shall submit a
 182 report to the Investment Advisory Council regarding contracts awarded
 183 for services related to the investment of trust funds during each such
 184 calendar quarter. The initial report shall include all such contracts
 185 awarded and in effect on July 1, 2022, and each report shall include the
 186 name of each provider awarded any such contract and the value of such
 187 contract.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-13a
Sec. 2	<i>from passage</i>	3-13b
Sec. 3	<i>from passage</i>	3-13i

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Treasurer	Various - See Below

Note: Various=Various

Municipal Impact: None

Explanation

The bill, which authorizes the State Treasurer to set compensation levels for investment officers and other personnel involved with the chief investment officer, has no fiscal impact to appropriated funds.

To the extent future investment personnel are hired at compensation levels different from those currently allowed, various investment funds overseen by the State Treasurer would be subject to potential changes to personnel costs.

The Out Years

The ongoing fiscal impact identified above would continue into the future subject to future hiring decisions.

OLR Bill Analysis**HB 5405****AN ACT IMPLEMENTING THE TREASURER'S
RECOMMENDATIONS CONCERNING THE INVESTMENT
ADVISORY COUNCIL AND RELATED STATUTES.****SUMMARY**

This bill makes the following changes concerning the state treasurer and Investment Advisory Council (IAC):

1. expands the investment-related job titles for which the state treasurer, in consultation with the IAC, may set compensation;
2. eliminates a prohibition against the IAC's public members and their business organizations or affiliates contracting with or providing services for the investment of state trust funds while they serve on the council and for one year after, but requires that they recuse themselves from discussions or votes related to these contracts; and
3. eliminates the requirement that the IAC review contracts for investment-related services before the treasurer may award them but authorizes the IAC to review any of these contracts that deviate from the investment policy statement that sets standards for investing state trust funds.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

INVESTMENT OFFICER AND PERSONNEL SALARIES

Existing law authorizes the treasurer to set the salary ranges for the chief, deputy, and principal investment officers, in consultation with the IAC. The bill additionally authorizes him to do so for investment officers and other personnel that assist the chief investment officer. In doing so,

it exempts these officers and personnel from the requirement that salaries of executive branch employees not set by law be determined by the administrative services commissioner and approved by the Office of Policy and Management secretary.

By law, unchanged by the bill, the cost of operating the investment department, including personnel costs and professional investment counsel, is paid from state trust funds' income.

INVESTMENT-RELATED SERVICE CONTRACTS

The bill eliminates the requirement that all investment-related service contracts be reviewed by the IAC before the treasurer may award them. However, it (1) requires the treasurer to notify the IAC at a council meeting of his recommendation for a provider for any contract that deviates from the investment policy statement and (2) authorizes the IAC to review the treasurer's recommendation.

Under the bill, the council has 45 days within which it may file a written review of the treasurer's recommendation, after which the treasurer may award the contract. The same notification process and 45-day waiting period applies under current law for the IAC's required review of all investment-related service contracts. As under current law, any written review by the IAC must be available for public inspection.

The bill also requires the treasurer to submit quarterly reports to the IAC on investment-related service contracts awarded each quarter. The first report must cover the quarter ending September 30, 2022, and include contracts awarded and in effect on July 1, 2022. Each report must include the name of the contracted service provider and contract's value.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 45 Nay 6 (04/05/2022)